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DE RUEHMV #0960/01 2141601
ZNR UUUUU ZZH
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FM AMEMBASSY MONROVIA
TO RUEHC/SECSTATE WASHDC 9066
INFO RUEHZK/ECOWAS COLLECTIVE
RUEATRS/DEPT OF TREASURY 0007
RUCPDOC/DEPT OF COMMERCE WASHDC

UNCLAS SECTION 01 OF 03 MONROVIA 000960

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DEPARTMENT FOR AF/W-AOKEDIJI, INR/AA-BGRAVES, AF/EPS, EB
AID FOR AFR/WA-SSWIFT
ACCRA AND DAKAR FOR FCS

E.O.12958: N/A

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SUBJECT: LIBERIA ECONOMIC BRIEFS -- August 2007

REF: A: MONROVIA 889
B: MONROVIA 913

¶11. (U) Following is a summary of recent economic and commercial developments in Liberia.

PRESIDENT SIGNS BUDGET

¶12. (U) President Ellen Johnson Sirleaf signed into law the FY2007-08 national budget on July 31. The US\$199.3 million budget is over 50% larger than the approximately \$130 million budget for FY2006-07. The budget is also roughly \$16 million higher than the original draft submitted by the government in May. The national legislature added several items, including increased salaries for civil servants. A House proposal to create a legislative constituency fund for county development that would be administered by the legislature was deleted in last minute negotiations with the President. The House passed a budget bill on July 18 (ref A) and the Senate made further changes to the bill, passing it to the House Ways and Means Committee for agreement, before passing the amended bill on July 24 (ref B). The full House did not vote on the precise bill that was ultimately passed by the Senate and signed into law by the President.

DIAMOND MINING RESUMES

¶13. (U) The Government of Liberia lifted the moratorium placed on the mining of diamonds in the country on July 26. According to A. Kpandeh Fayia, Deputy Minister of Planning at the Ministry of Lands, Mines and Energy, the Ministry began issuing diamond Class B and C licenses on July 30, 2007. The licenses will be issued to alluvial and small-scale miners, sellers and brokers. The lifting of the moratorium comes after the United Nations lifted sanctions in April and Liberia fulfilled all requirements for participation in the Kimberley Process Certification Scheme in May 2007. Ten regional diamond offices are planned, of which seven are operational, but the government still faces numerous capacity constraints. The Ministry currently has only ten diamond-mining agents responsible for checking and approving an enormous stack of new license applications. The issuance of large scale Class A licenses await final approval of a new model Mineral Development Agreement and associated policy framework currently under deliberation at the Minister of Lands, Mines and Energy.

GOVERNMENT LAUNCHES LEITI

¶14. (U) The Government of Liberia launched the Extractive Industry

Transparency Initiative for Liberia (LEITI) on July 10, 2007. In attendance were representatives of international partners including the U.S., the United Nations, European Union, African Development Bank, African Union, Economic Community of West African Community and representatives from the private sector. LEITI will be overseen by a steering group composed of the Ministry of Finance, Chairman; Ministry of Lands, Mines and Energy, Co-Chairman; Ministry of Internal Affairs; Forestry Development Authority; Liberia Reconstruction Development Committee; National Oil Company of Liberia; House Committee of Lands, Naturals resources and Environment; Liberia Bar Association; Publish What You Pay Coalition; Mittal Steel Liberia Limited; AmLib United Minerals; World Bank; African Development Bank; UNDP; U.S.; IMF; EC and DFID.

MINING AND OIL EXPLORATION UPDATE

¶5. (U) OIL EXPLORATION: The National Oil Company of Liberia (NOCAL) on July 18 certified and presented a signed and ratified copy of an agreement for Broadway Consolidated Plc exclusive exploration of oil in Block LB 13 in offshore waters. The Production sharing agreement between Broadway Consolidated Plc and NOCAL grants Broadway a period of eight years divided into three phases to work Block LB13.

¶6. (U) Broadway is one of five companies that won bids to work 6 blocks out of the 17 blocks demarcated after a 2D seismic survey conducted by TGSNOPEC Geophysical Company of Houston. The other companies are: Repsol-YPF (Spain) - block LB16; Oronto Petroleum (Nigeria) - block LB11; Regal Petroleum Plc (London) - blocks LB8 and LB9; and Woodside (Australia) - block LB15. Oronto Petroleum is the only other company that has a signed and ratified agreement with NOCAL. The ability of companies like Broadway Consolidated and Regal Petroleum to raise the funds for an effective exploration

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program remains an issue. Broadway is new to oil exploration and there are allegations that their acquisition of oil licenses and approximately three million acres of mining concessions were linked to their strong ties to officials of the Ministry of Lands, Mines and Energy during the National Transitional Government of Liberia (NTGL) and not to their expertise or financial viability.

STRATEGIC COMMODITIES UPDATE

¶7. (U) RICE: The Government of Liberia through the Liberia Produce Marketing Corporation (LPMC) and the Ministry of Commerce has imported 6,000 metric tons of butter rice to be sold at US\$20.00 per bag of 100 pounds. Representatives from ECOBANK and International Bank confirmed that the rice was purchased from Novell Commodities based in Switzerland through a letter of credit of US\$2.1 million guaranteed by ECOBANK (Liberia) Limited (US\$900,000), International Bank (Liberia) Limited (US\$700,000) and LPMC (US\$500,000). According to the Ministry of Commerce, the importation of the rice and its sale below the agreed official price was "goodwill" to Liberians during the July 26 independence celebrations. This is the first time after several years that LPMC has participated in the sale of rice. Prior to the civil conflict, LPMC purchased and marketed produce from farmers and sold Parboiled rice given to Liberia under the US Government PL-480 program. Although the government has mandated that the rice be sold at below market rates, there are already reports that retailers are hoarding the rice to sell at higher prices later.

BANKING SECTOR UPDATE

¶8. (U) The Central Bank of Liberia (CBL) has indicated that the banking sector is healthier than it was a year ago. The CBL indicated that this positive outlook is based on the stronger capital and loan position of commercial banks. The capitalization at commercial banks showed an improvement from negative 17.3 percent in March of 2006 to positive 16.1 percent as of May 2007. The

proportion of non-performing loans has declined from 61 percent to 41 percent in March. According to the CBL, all commercial banks now have the agreed minimum capital requirement under prudential guidelines to operate. Gross assets have increased by 24 percent over the level recorded in December 2006 and by 46 percent over the level recorded in March 2006.

¶19. (U) The CBL has indicated that it has met all the benchmarks agreed with the International Monetary Fund (IMF) under the Staff Monitored Program. The CBL disclosed that its net international reserves increased from US\$9 million in March 2006 to US\$29.2 million as of June 30, 2007. The CBL conducts regular foreign exchange auctions through the various commercial banks and has provided US\$9.76 million since January.

AGRICULTURAL UPDATE

¶10. (U) On July 13, 2007 the Ministry of Agriculture (MoA) and London-based Equatorial Biofuels (EBF) signed a Memorandum of Understanding (MOU) that will ensure the conclusion of an investment agreement for the development of oil palm. The MOU commits the MoA and EBF to finalize an agreement for presidential approval not later than August 3, 2007. EBF was granted a management contract for Fendell, Decoris and Butaw oil palm plantations in Montserrado, Maryland and Sinoe counties respectfully. Equatorial Biofuels was formerly called Nardina Resources PLC and was renamed after acquiring Liberia Forest Products for US\$800,000 which owned rights to the three oil palm plantations.

¶11. (U) The Ministry of Agriculture and the Food and Agriculture Organization of the United Nations has concluded the distribution of 2,608 metric tons of high yielding rice seeds to 101,400 farming families throughout the country. The distribution of the rice seeds suitable for upland and lowland ecologies commenced in March 2007. The program was implemented with assistance from NGO partners with funding from the Central Emergency Response Fund (CERF) of the United Nations. The seed distribution focused on internally displaced families that were returning to their homes.

AGOA UPDATE

¶12. (U) Liberia participated in the Sixth African Growth and Opportunity Act (AGOA) Forum held in Accra, Ghana from July 18-19,

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¶2007. Since its acceptance to AGOA in January, the GOL has set the task of developing a National Trade and Export Promotion Strategy that will ensure the country benefits from AGOA. Initial targets for the strategy include coffee, cocoa, crafts, spices, rubber and wood products.

BOOTH